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MANAGEMENT AUDIT
of the

COMMUNITY REDEVELOPMENT AGENCY

INSTITUTE OF GOVERNMENTAL
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UNIVERSITY OF CALIFORNIA

by

Keith Comrie
City Administrative Officer

Released April, 1981

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JANUARY 1, 1909

CITY OF LOS ANGELES
COUNTY OF LOS ANGELES

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CITY OF LOS ANGELES

CALIFORNIA

KEITH COMRIE
CITY ADMINISTRATIVE OFFICER



TOM BRADLEY
MAYOR

ROBERT E. CHASE
JOHN R. COOMBS
WILLIAM R. MCCARLEY
JEROME R. SELMER
THOMAS K. SHIELDS
ASSISTANT
CITY ADMINISTRATIVE OFFICERS

April 6, 1981

The Honorable Council of the
City of Los Angeles

The Honorable Tom Bradley
Mayor of the City of Los Angeles

Members of the Community Redevelopment
Agency of the City of Los Angeles

Transmitted herewith is the Report on the Management Audit of the Community Redevelopment Agency. The Audit was initiated in the normal course of events in furtherance of City Charter Section 53 for the purpose of examining operational compliance and evaluating the efficiency and effectiveness of the Agency.

We recommend that the Mayor and Council request management of the Agency to submit a report within six months to the City Administrative Officer detailing progress achieved in implementing recommendations of this Audit. We will then prepare an evaluation report, if warranted, for further review by the Mayor and Council.

The Management Audit of the Community Redevelopment Agency was supervised under my direction by John R. Coombs, Assistant City Administrative Officer, and Al M. Beuerlein, Chief Administrative Analyst. Members of the Audit Team were Robert J. Arata, Luther H. Johnson, Lambertus H. Becker and Daniel J. O'Connor.

Very truly yours,

Keith Comrie
City Administrative Officer

KC:LHJ:gje

cc: Administrator, Community
Redevelopment Agency
General Manager, Department of
Community Development

CITY OF LOS ANGELES

CALIFORNIA



THE BOARD OF SUPERVISORS
CITY OF LOS ANGELES

April 25, 1951

The Honorable Council of the
City of Los Angeles

The Honorable the Mayor
City of Los Angeles

Members of the Community Development
Agency of the City of Los Angeles

The Commission hereby reports to the Board of Supervisors
and the Mayor the results of its study of the
Community Development Agency. The Commission
has conducted a study of the agency's activities
and has found that the agency is performing
its duties in a satisfactory manner.

We recommend that the Mayor and Council should
continue to support the agency in its efforts
to improve the living conditions of the
people of Los Angeles. We also recommend
that the agency should continue to work
for the improvement of the city's
housing and public facilities.

The Commission also recommends that the
Mayor and Council should continue to support
the agency in its efforts to improve the
living conditions of the people of Los Angeles.
We also recommend that the agency should
continue to work for the improvement of the
city's housing and public facilities.

Very truly yours,

[Signature]

Commissioner

City of Los Angeles

cc: [illegible]

cc: [illegible]
[illegible]
[illegible]
[illegible]
[illegible]

INTRODUCTION

This is the third Management Audit of the Community Redevelopment Agency (CRA) conducted by the City Administrative Officer. The second was completed in November 1971, and the first in July, 1966.

The Community Redevelopment Agency of the City of Los Angeles is a local public agency created by the City under State law. Its operation is generally subject to the control of City officials, and its activities financed primarily by various Federal grant and loan programs. Its primary mission is to promote the sound development and redevelopment of blighted areas within the City. This objective may be achieved through development, clearance, reconstruction, or rehabilitation programs, either separately or in combination.

The Agency is governed by a seven-member Board of Agency Members appointed by the Mayor, subject to the approval of the Council. The Board appoints an Administrator who is charged with administering the Agency's business and affairs subject to Board policies and instructions.

The Agency's programs are primarily financed from Federal Community Development Block Grant funds subvended to the City and appropriated to the Agency in the City's annual Budget. Other sources of financing include: tax increment funds; tax allocation bonds; City General Fund (\$12,000 for 1980-81); Urban Development Action Grants; Department of Housing and Urban Development loans; Urban Mass Transit Administration grants; and Economic Development Administration grants.

The 1980-81 operating budget totals \$12,904,206 for salaries, expenses, equipment and facilities. This compares to 1979-80 actual operating expenditures of \$7,800,000.

The 1980-81 budget also estimates that total expenditures by the Agency for direct and indirect project development activities will exceed \$110,500,000. It is anticipated that Agency activities will be supported by funds from the following sources:

INTRODUCTION

This is the first of a series of reports prepared by the U.S. Environmental Protection Agency (EPA) concerning the results of the study conducted in 1971, and the first in the series.

The following information is presented in this report: a brief history of the study, a description of the study area, a description of the study methods, a description of the study results, and a description of the study conclusions. The study was conducted in 1971, and the results were published in 1972. The study was conducted in the city of New York, and the results were published in the city of New York.

The study was conducted by a team of researchers from the U.S. Environmental Protection Agency (EPA) and the city of New York. The study was conducted in 1971, and the results were published in 1972. The study was conducted in the city of New York, and the results were published in the city of New York.

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(In Millions)

Block Grants	\$ 21.4
Title I	7.3
Tax Increments	18.5
Housing Trust Funds	25.8
Bond Proceeds	17.0
UDAG Grants	19.3
EDA Grants	3.8
UMTA Grants	1.3
Land Sales Proceeds	8.8
Other	.2
	<u>\$123.4</u>

The foregoing budgeted expenditure program does not include rehabilitation loan programs funded by bonds pursuant to HUD loan programs and the Marks-Foran loan program; tax exempt housing programs, Monterey Hills Residential Mortgage Revenue Bonds, LOMOD (Bunker Hill Angeles Plaza), proposed South Parks Mortgage Revenue Bonds, and other planned bond issues.

At the present time, the Agency is involved in 14 redevelopment projects and four rehabilitation-only projects. To accomplish its programs, the Agency employs approximately 265 persons.

This Audit has not addressed the Downtown People Mover project in view of the fact that legal responsibility and functional control of the project has been transferred to a recently established separate Authority.

During the conduct of the Audit, personnel of the Agency at all levels were interviewed. We appreciate the excellent assistance and cooperation shown by the officers and employees of the Agency during the course of the Audit.

CRA Management staff has reviewed a draft of this Audit report in detail, and we have discussed the findings and recommendations with them at length. The Agency Administrator has indicated his concurrence in the substantial majority of recommendations. While acknowledging the validity of Audit findings in certain organizational and staffing matters (Recommendations 8, 9, 10 and 17), it is his feeling that alternative solutions will better serve the Agency's objectives. Further, the Administrator has stated his preference to have the Community Development Block Grant application prepared by an agency other than the Community Development Department; a matter which is partially addressed in Recommendation 2.

Summary of Findings

The general finding of this Audit is that the Community Redevelopment Agency is operating in an effective manner, although progress toward major objectives has been slower than all parties in the redevelopment effort would prefer. Blighted areas of the City have been and are being improved, but progress is laborious and time consuming. The demand for redevelopment and rehabilitation of blighted areas so greatly exceeds the CRA's capability and resources that, when taken in total perspective, major individual projects such as Bunker Hill and Little Tokyo represent significant initial steps in a process that, realistically, is unending.

Management of the Agency is well-motivated to address the problems of blight, but frustrated by the many constraints that collectively reduce the pace of achievement. The procedures presently utilized for preparation and processing of the CRA portion of the Community Development Block Grant application result in tensions and strained relations between the Agency and the Community Development Department (CDD). The Agency prepares a request for the funds judged to be needed without regard to the probable funding level; it is then necessary for CDD to reduce the CRA request to a more appropriate level. The Agency does not assign priorities to any portion of its request; it then becomes the responsibility of CDD to choose between projects and among objectives within projects. The Mayor and Council should establish policies and procedures for the preparation of the Block Grant application.

The Agency does not establish annual goals and objectives on all its projects in a consistent format, as required by State law. Therefore, it is very difficult to make an evaluation of the effectiveness of project implementation. The 1977 amendments to the State Health and Safety Code require the Agency to submit an annual work program to the City Council; the work program for each project unit could be similar to that now submitted for the Central Business District.

The amount of control exercised by the City over the Community Redevelopment Agency is limited by the provisions of State law; however, the full extent of the power available to the City Council has never been utilized. In a report in 1977, the City Attorney outlined methods whereby the City Council could

exert greater control over the Agency under the existing system. Also, in 1977 the State Legislature amended the basic legislation to require the Agency to submit annual reports and proposed annual budgets to the City Council for approval; the Agency has not fully complied with these requirements.

The City and Department of Housing and Urban Development (HUD) procedures for Block Grant funding are so time-consuming that the implementation agreements between the City and the Agency are not completed until several months after the beginning of the fiscal year covered in the agreements. This gives the Agency less than a year to accomplish a year's program, and results in the carry-over each year of large sums of unexpended funds. The process could be expedited by reassigning the responsibility for preparation of the implementation agreements from the Community Redevelopment Agency to the Community Development Department. The Agency could be given a year to accomplish its program by specifying in the agreements that the agreements expire one year from date of execution.

There are several staff functions which support project operations assigned in various parts of the organization. We suggest that project operations would be strengthened if these staff functions were grouped together and assigned to the existing Housing Assistance and Public Information Unit.

Grant applications are prepared in at least three separate departments within the Agency, by persons who are also assigned other duties. The preparation of such applications would be simplified and expedited if the responsibility were assigned to one specialized unit with personnel skilled in grant application preparation and monitoring. This specialized unit would also search for new grant sources.

The centralization of project staff functions has resulted in economies of operation through flexible assignment of staff personnel to various projects. However, when a major project is large enough to command the dedicated services of a sizable group of staff personnel, the argument for flexibility diminishes. Under these conditions, project control would be enhanced by the assignment of the staff personnel directly to the project. The Agency has assigned 25 planning and architectural positions (16 of which are presently filled) to work on the Central Business District Project full time; organizationally, however, the positions are assigned to the Planning Department. We believe that better personnel utilization and project control will be achieved by assignment of those positions to the supervision and control of the Core Area Deputy.

The Agency does not appear to give enough consideration to funding problems in recommending the creation of new redevelopment or rehabilitation projects. In the last three years, three redevelopment projects and five rehabilitation projects have been added; yet the Block Grant funds received have

remained fairly constant. As no projects have been completed during those years, an increased number of projects must compete for the same amount of funds. This procedure contributes to the delay in the completion of the established projects.

There is no consistent organized management reporting system within the Agency. Insufficient data is available to the Commission and the Administrator on a consistent basis to measure performance and exercise control over the use of resources. A management information system which contains the elements of work program and performance, personnel authorized and utilized, funds budgeted and expended, and other elements as desired would provide benefits for the Agency.

The Project Managers are in ambiguous positions in the Agency. Although the Project Manager is the person theoretically responsible for the management of a project and the accomplishment of project goals and objectives, in reality the Manager does not control many of the resources necessary to the success of the project. Many of the technical personnel working on the project are responsible to departmental managers located in headquarters and not to the Project Manager. Further, Project Managers are not routinely furnished with budgetary control and expenditure data which is necessary if the Manager is to implement the project within budgetary limitations. The management reporting systems, including project data reports, are inadequate for control purposes.

The Project Managers have authority to control only a portion of the personnel charges to a project, that is, the charges of the project staff under the Manager's direct control. If project costs are to be brought under control, then the Project Manager must have authority to authorize and control all direct charges to a project.

Agency finances are highly complex and difficult to portray in clear, concise financial reports. We were unable to get a clear picture of the overall scope of the Agency's operations, source of funds, and expenditures on the various projects from the existing statements and reports. Agency management has acknowledged the need to improve in the area of financial reporting, and is directing attention to that end.

The Agency Controller's Office is currently at a midpoint in the implementation of a significant reorganization and staff augmentation effort which is intended to address the needs generated by the financial complexities and the Management Information System development. There are vital systems design detail and accounting relationships which are yet to be defined, and it is our position that further organizational implementation in the Controller's Office should be suspended until such definition exists and the Agency is confident of its specific plans.

The Agency has not established production standards for any portion of its workload, and does not maintain work statistics. Thus, there is no way to quantify the workload or to demonstrate the need for additional staff positions. Although additional projects have been added in recent years, the Audit Team was unable to determine the additional workload which has been accomplished or is to be accomplished. More positions are authorized for recruitment, for flexibility, and for workload expansion than may conceivably be used in the near future. The Board authorizes new positions on the basis of inadequate workload justifications. The Agency has made extensive use of temporary employees in recent years.

The training of new staff members is a responsibility of supervisors. No formal training program has been developed, either for the staff or for new appointees to the Commission who receive minimal orientation. The amount and quality of training varies and is sometimes inadequate.

RECOMMENDATIONS

1. That the Mayor and City Council annually establish a range of funding percentages by recipient as a guide for the allocation of Community Development Block Grant funds. (pg. 12)
2. That the Mayor and City Council establish in advance the criteria to be applied by the Community Development Department in recommending projects/programs to be included in the City's Block Grant application. (pg. 12)
3. That Agency Management assign priorities to its Community Development Block Grant requests for funding so that the Community Development Department can, as part of its application preparation, give greater consideration to those objectives deemed most important by the Agency. Further, that the priorities as established be for all objectives in every redevelopment area. (pg. 12)
4. That the Mayor and City Council direct the Community Development Department to assume full responsibility for development of the Block Grant implementation agreements between the City and the Agency, and to provide for expiration of the agreements one year from date of execution rather than at the end of the fiscal year. (pg. 15)
5. That the Mayor and City Council direct the Community Redevelopment Agency to submit the Annual Work Program for the Central Business District on January 1st each year as part of the comprehensive

ACTION PARTY			
MAYOR	COUNCIL	CRA	CAO
X	X		
X	X		
		X	
X	X		
X	X		

work program and budget submissions proposed in Recommendation No. 7. (pg.19)

6. That the City Council take action to increase its oversight of the activities of the Community Redevelopment Agency by instructing the Agency to implement the suggestions contained in the January 6, 1977, report of the City Attorney to the Council. (See Appendix C)
7. That the City Council exercise its rights under the Health and Safety Code Sections 33080.1 and 33606, and require that the Agency submit by January 1, of each year:
 - a. An annual work program by project for the coming year detailing goals and objectives and an evaluation of the previous year's achievements in accomplishing stated goals and objectives.
 - b. An independent financial audit for the previous year.
 - c. An annual budget for the coming year specifying staffing requirements and detailing information on the proposed expenditures for the Agency. (pg. 17)

Further, that the City Administrative Officer be instructed to evaluate the above submissions and report to the City Council in detail regarding the level of compliance with pertinent requirements, and the achievement of goals and objectives. (pg. 18)

8. That Agency management consider the reorganization of certain Agency functions and their assignment as outlined in the proposed organization chart which appears in Exhibit I.
9. That Agency management reorganize its grant planning activities into a single unit within the Planning Department, and that this unit be responsible for researching, preparing and monitoring grant applications for the Agency. (pg. 21)

ACTION PARTY			
MAYOR	COUNCIL	CRA	CAO
	X		
	X		
			X
		X	
		X	

10. That Agency management reassign the professional planning positions for the Central Business District from the Planning Department to the Core Area Director; assign all planning for the Core Area, including Bunker Hill and Little Tokyo, to this group; delete one vacant City Planning Associate position from the Planning Department to reflect the transfer of the Little Tokyo planning responsibilities to the Central Business District planning group; and determine the requisite clerical support needs of the Central Business District planning group, and make the appropriate transfer of clerical support positions from the Planning Department to the Central Business District. (pg.22)

11. That the Agency and the City Council establish target dates for completion for existing redevelopment/rehabilitation projects, and that new projects not be initiated until new or reprogrammed funding sources sufficient to support the project can be identified. (pg. 26)

12. That Agency management develop and install a management information system which will provide the data required by a Project Manager to manage a project and control the use of resources devoted to a project; and which will provide management the data to determine the progress of a project in relation to its plan and budget, including at the minimum:

a. Monthly status reports by objective, reconciling expenditures to budget allocations.

b. A summary by project and project objective detailing Department staff hours and charges. (pg. 27)

13. That Agency management strengthen the position of the Project Manager in relation to technical department heads, by holding the Managers responsible for the accomplishment of all project objectives, and by insuring that technical staff officials coordinate all project matters with the concerned

ACTION PARTY			
MAYOR	COUNCIL	CRA	CAO
		X	
	X	X	
		X	
		X	

Project Managers and secure their concurrence or approval. (pg.28)

14. That Agency management revise its project reporting system to record staff charges to project objectives carried over from prior years. It is suggested that project objectives be sequentially numbered so that each has a separate number against which charges can be made. (pg. 29)
15. That Agency management distinguish between fixed costs and variable costs within its budget and give the Project Manager complete control over the variable costs with authority to request and approve the expenditure of funds for:
 - a. Planning staff support
 - b. Real Estate staff support
 - c. Engineering staff support
 - d. Equipment purchases charged to the project
 - e. Relocation charges (pg.30)
16. That Agency management develop workload measurement criteria and data upon which staffing requirements may be determined, and submit such criteria to the City Administrative Officer for evaluation and comment prior to adoption. (pg. 31). Further, pending development of such criteria and data, that the Agency Board require more substantial workload data in reports to the Board recommending additional position authority. (pg. 32)
17. That Agency management:
 - a. Direct special attention to developing financial report formats that more clearly portray the nature and scope of Agency operations. (pg. 33)
 - b. Make no additional appointments beyond current commitments in furtherance of the proposed reorganization of the Accounting

ACTION PARTY			
MAYOR	COUNCIL	CRA	CAO
		X	
		X	
		X	
		X	
		X	

Division, pending acceptance by the Agency of a comprehensive system design plan.

- c. Reconsider the potential for consolidation of the proposed positions of Finance Director and Audits Director. (pg. 34)

18. That Agency management take the necessary steps to assure the inclusion of appropriate provisions in the Neighborhood Development Plan documents to provide for reimbursement from tax increments for public improvements in the project area constructed at City expense. (pg. 36)

19. That Agency management revise its personnel authorization procedures to recognize two categories of positions:

- a. Those positions required to meet the work program of the Agency;
- b. Other positions required to provide flexibility in operations;

and establish regulations governing their use. (pg. 37)

20. That Agency management review the use of temporary positions and establish a limit on the number of such positions which may be employed at any one time, and on the length of time that an individual may be employed in a temporary position. (pg.38)

21. That Agency management develop written materials to orient employees to their duties and responsibilities. Such materials should define the objectives of the Agency and of the organization unit of the employee, and provide a general informational framework for performing the major tasks. (pg. 39)

22. That Agency management develop a formal orientation program for new Board Members, consisting of presentations by Agency officials on the functions and programs of the Agency, as well as a tour of project areas. (pg. 40)

ACTION PARTY			
MAYOR	COUNCIL	CRA	CAO
		X	
		X	
		X	
		X	
		X	

FINDINGS

1. AGENCY RELATIONSHIP WITH CDD

Issue: Because the CRA and the Community Development Department (CDD) both rely heavily on Community Development Block Grant resources to support their activities, CRA has concerns about the role of the CDD in reviewing CRA's request for Block Grant funding.

Issue: CRA, in its request for Block Grant funding, does not assign priorities among projects, which places on the Community Development Department the burden of making recommendations to Council on the level of Block Grant support to be given to the various redevelopment projects.

Discussion:

The Community Development Department is responsible for the preparation of a Community Development Block Grant application proposal for the City. The City annually receives in excess of \$50 million in Housing and Community Development Block Grant funding. The CRA with an allocation of over \$13 million in 1979-80, is a major recipient of these funds. The CDD also is a major recipient of Block Grant funds, some of which support activities similar to those of CRA. CRA representatives have expressed concern to us about the implications of CDD reviewing CRA's applications for grant funding which compete with CDD's grant funded programs.

The Audit Team shared these concerns and reviewed with CDD representatives their procedures for assembling the Block Grant recommendations for submission to Council. It was learned that CDD has reorganized the Block Grant application preparation procedures so that CRA's programs are no longer reviewed by staff engaged in administering similar programs. This, however, has not assuaged the concerns CRA has about the objectivity of the CDD review.

The primary issue is the level of funding available to CRA for its projects and the criteria to be applied in selecting projects for Block Grant funding. Since the inception of the Block Grant program, the request for funding by CRA has risen from \$12.2 million in Year I to \$35.4 million in Year V, while the approved level of funding has remained fairly constant. The

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

HCD BLOCK GRANT FUNDS REQUESTED AND ALLOCATED

YEARS I - VI

PROJECTS	YEAR I (1975-76)		YEAR II (1976-77)		YEAR III (1977-78)		YEAR IV (1978-79)		YEAR V (1979-80)		YEAR VI (1980-81)	
	Requested	Allocated	Requested	Allocated	Requested	Allocated	Requested	Allocated	Requested	Allocated	Requested	Allocated
Little Tokyo	--	\$3,691,350	--	\$3,063,950	\$5,558,530	\$2,581,460	\$4,107,250	\$1,700,000	\$4,477,000	\$1,600,000	\$3,576,000	\$2,441,800
Normandie/5	--	2,676,750	--	2,119,534	2,284,825	1,237,730	3,043,200	1,501,800	2,667,500	2,414,800	2,810,800	1,283,800
Pico Union I	--	2,385,750	--	2,925,239	3,329,451	1,368,667	5,663,660	3,898,500	3,974,770	1,940,256	3,881,940	988,500
Pico Union II	--	75,000	--	475,000	2,354,432	2,109,432	3,221,985	3,029,000	2,938,415	1,309,340	3,225,000	936,000
Central Business District	--	500,000	--	298,530	1,550,000	598,000	3,449,520	1,700,000	4,884,000	1,900,000	4,225,000	1,535,000
L.A. Harbor Industrial Center (Wilmington)	--	250,000	--	500,000	750,000	-0-	-0-	-0-	2,580,000	-0-	3,254,000	-0-
Monterey Hills	--	--	--	-0-	600,000	-0-	543,600	197,400	-0-	-0-	990,000	-0-
Adams Norm 4321	--	--	--	25,000	400,000	182,444	1,406,800	300,000	1,776,250	1,511,406	2,711,260	2,370,260
Chinatown	--	--	--	125,000	1,000,000	144,694	2,816,000	900,000	3,500,000	1,000,000	2,099,250	-0-
North Hollywood	--	--	--	125,000	1,000,000	170,136	2,816,000	1,445,500	3,320,000	1,626,874	2,820,000	1,041,000
Boyle Hgts. 1	--	--	--	--	-0-	29,000	-0-	304,600	2,000,000	720,000	887,000	832,000
Boyle Hgts. 2	--	--	--	--	--	--	--	--	-0-	50,000	807,000	702,700
Boyle Hgts. 3	--	--	--	--	--	--	--	--	-0-	50,000	692,000	-0-
Lincoln Heights 1	--	--	--	--	--	--	--	50,000	1,000,000	350,000	717,000	477,000
Lincoln Heights 2	--	--	--	--	--	--	--	--	-0-	50,000	692,000	-0-
Temple/ Beaudry	--	--	--	--	--	--	-0-	51,403	2,500,000	300,000	1,984,500	992,250
Watts	--	--	--	--	--	--	--	--	612,000	-0-	-0-	-0-
Beacon Street	--	2,629,150	--	1,244,041	2,036,250	793,250	1,021,600	673,400	-0-	-0-	-0-	-0-
TOTALS	--	12,208,000	--	10,901,294	20,863,488	7,214,813	28,089,615	15,751,603	36,229,935	14,822,676	35,373,250	13,595,310

Footnote: Minimal funds also have been allocated to the Agency for pre-planning activities in Sun Valley, Hollywood, and Venice. No on-going work, either in planning or implementation, was continued by the Agency.

accompanying Table I summarizes by project and program year the funding requested by CRA and the final allocations approved by the City Council.

CRA has consistently maintained that it will request whatever level of Block Grant funding it believes is appropriate for its efforts without consideration for the probable final allocation. To illustrate, the CRA requested \$35.4 million in CDBG Year VI funds, although its Year V allocation was about one-third that amount. CRA's position is that the Council decides the level of Block Grant funding and it is not CRA's responsibility to set priorities between programs. This position by the CRA forces the CDD to make judgements on funding between redevelopment projects. The responsibility for implementing the redevelopment program belongs to the CRA. However, by not making its own funding level recommendations and project priority judgements, CRA not only withdraws from certain implementation responsibilities, but also contributes to a feeling of mistrust between the two agencies. CRA resents CDD's altering of CRA's Block Grant requests, and CDD in turn resents CRA's penchant for pursuing its goals through the various Council offices, a practice which CRA claims is dictated by the Council offices themselves.

Recognizing that each Agency will continue to rely to a great degree on Block Grant funding for the continuation of their projects, it is important that some mechanism be found to reduce the competition between the two agencies for Block Grant funding. The best way to reduce this conflict is to minimize the areas of conflict. To do this, it is suggested that Council policy establish specific percentage allotments for each of the major funding recipients-CDD, CRA, Capital Projects, Social Services. In this way each of the funding recipients would know in advance what to expect in terms of the level of Block Grant funding, and require applicants for funding to assign priorities to their requests, which in turn would:

- * Reduce the friction between CDD and CRA.
- * Allow more realistic planning of projects and programs.
- * Expedite the Block Grant development process. (See Recommendation No. 1).

Under this proposal CRA and the other major Block Grant recipients would be assured of a certain known level of funding. However, by providing a percentage range, there would still be opportunity for decisions to be made as to the final level of Block Grant support to be recommended within the range. For CDD to make rational choices, the CRA should assign priorities to objectives between projects. (Recommendation No. 3). The assignment of priorities would provide CDD with a framework upon which to base its reduction decisions. One of the more time-

consuming aspects of the City's Block Grant application development procedure is negotiations between CDD and the requesting agency to delineate and prioritize the request. By having a prioritized application, CDD reductions can be proposed without this time-consuming negotiation/clarification process.

By guaranteeing a minimum Block Grant allotment, it is expected that the strained relations between the two agencies could be improved and the planning of the work program activities for the redevelopment project areas would be enhanced. Our discussions with CRA representatives suggest they are amenable to such a proposal. However, they did express certain reservations about the continuation of the practice of CDD establishing the criteria for Block Grant proposals selection. It is the opinion of the CRA that CDD, when interpreting the existing criteria for Block Grant proposal selection, maximizes its own program proposals to the disadvantage of those of the CRA.

"Criteria" in this instance means a definitive policy statement as to emphasis of Block Grant programming. Are economic revitalization programs to receive greater or lesser emphasis than residential development? Are low income housing programs preferred over those aimed at moderate income housing development? Is rehabilitation or new construction to be emphasized? These and other factors must be addressed if meaningful criteria are to be applied by all the participants as they develop their proposals for Block Grant funding consideration.

Although an audit of the CRA is not the proper forum for reviewing the Block Grant selection criteria, it is important to note the perception of the CRA that a consistent policy understood by all participants and equally applied to each is required. One method of developing such criteria would be for the Council to designate an entity, such as the Chief Legislative Analyst, responsibility for submitting criteria and the funding ranges to be assigned to each of the major Block Grant participants. Council action on such recommendations at the beginning of each Block Grant application cycle would have the effect of setting City priorities. (See Recommendation No. 2).

2. BLOCK GRANT FUNDING CYCLE

Issue: Because of the approval cycle for Block Grant funding, CRA does not have a full year in which to utilize and commit its Block Grant funds. This limitation puts undue pressure on the Agency to commit its funding and frequently results in the need to carryover large sums of unobligated funds from one year to another.

Discussion:

Each year the City executes new agreements with the Community Redevelopment Agency for the implementation of that portion of the HCD Block Grant work program for which CRA has responsibility. The cycle for processing the Block Grant is such that the City is generally notified by HUD that its application has been approved in late June. At this point, the CRA begins to prepare an agreement with the City to implement its Block Grant work program. It usually takes two to three months for the contract to be prepared by CRA, reviewed by CDD and the City Attorney and finally approved by the City Council.

Since the contract is predicated on a fiscal year, July 1 through June 30, the Agency actually has less than a full year to implement the work program. This has contributed, in part, to the delays in CRA program implementation and the need to carry-over funds from one program year to the next.

CDD could assume from CRA the responsibility for preparation of the contract between the City and CRA. This should reduce the processing time for the execution of an agreement since it would no longer be necessary for CDD to review the CRA contract for conformance with the Block Grant work program. It is our opinion that as the Block Grant coordinator this is CDD's responsibility. (There will, obviously, be a need for CRA to review the CDD draft contract prior to finalization).

Contracts between the City and CRA should be written so that they expire one year from date of execution. This would provide CRA with an opportunity to have a full program year to implement its activities. There is nothing in the HUD guidelines for Block Grant administration to preclude this practice. (See Recommendation No. 4).

3. CITY CONTROL OF AGENCY ACTIONS

Issue: The amount of control exercised by the City over the Agency is limited.

Issue: Because the CRA does not establish yearly comprehensive goals and objectives for its projects consistent with requirements of recent legislation, an evaluation of the project implementation activities of the Agency is very difficult.

Discussion:

The evaluation of the CRA's implementation of the various redevelopment and rehabilitation plans can be performed on two levels. First, the plans themselves establish certain social, economic, and land use goals which can be assessed for degree of compliance at the conclusion of the project. A second more tangible evaluation can be made each year with an appraisal of the Agency's progress on more precise definable objectives.

A final determination of the success of a redevelopment project of necessity must await the completion of the total effort. Because of the vagaries of the redevelopment process such as variations in funding, market conditions, resident participation, legal obligations, complete implementation can be subject to many delays during the evolution of the project. As a result, long-term goals are very difficult to set or monitor.

It is realistic for the Agency to set short-term goals and objectives which could be monitored on a yearly basis as is done in the Central Business District's Annual Work Program, and these goals should be reviewed by the Council with the Agency to assess its progress, compliance, performance and problems, thus allowing for a focusing of CRA's efforts in accordance with Council input.

This control can be exercised even though the Agency is a creation of State law; the State law gives the City certain powers in relation to the Agency. The Mayor appoints and City Council confirms the Agency Board members, and the City Council must approve all redevelopment plans and grant applications.

The relationship between the City and the Agency has been a continuing subject of discussion. City officials have, at various times, been concerned about the limited City input into

the preparation of redevelopment plans; the lack of coordination between City programs and CRA projects; the lack of CRA accountability to the electorate; the very limited control of the Council over the Agency Board (only the Mayor may bring charges against a Member or request his or her removal); the amendment or rescission of a redevelopment plan, and the duplication between City and CRA activities.

On January 6, 1977, at the Council's request, the City Attorney submitted a report entitled, "Alternatives to Council's becoming the Community Redevelopment Agency" (See Appendix B). The report noted that there are three basic options available for the Council with respect to management of the Agency: (1) Retain the existing system; (2) To declare itself to be the Agency; and (3) To declare itself to be the Agency and thereafter create a Community Redevelopment Commission.

The report further listed four methods whereby the Council may exert greater control over the Agency under the existing system:

- * Utilization of disapproval power over prepared redevelopment plans.
- * Achieving earlier input into the redevelopment planning process.
- * Adoption of guidelines for evaluating individual projects with respect to their City-wide impact.
- * Establishing better channels of communication between the Planning Department, the Agency and the Council.

The entire question, including the City Attorney's report, was referred back to the Planning Committee without action. (See Recommendation No. 6).

We have considered the question of management of the Agency and have concluded that the existing system is preferable to either of the two options submitted by the City Attorney. Our basic position is that the Council should attempt to improve the working of the present system as suggested by the City Attorney.

Subsequent to the issuance of the City Attorney opinion, the State Health and Safety Code (Appendix A) has been amended to require CRA to provide to the legislative body (City Council) within six months of the close of the Agency's fiscal year:

- (a) An independent financial audit report for the previous fiscal year.
- (b) A work program for the coming year, including goals.

- (c) An examination of the previous year's achievements and a comparison of the achievements with the goals of the previous year's work program; and
- (d) Recommendations for needed legislation to carry on properly a program of housing and community development in California.

In addition, Health and Safety Code Section 33606 provides that, "An agency shall adopt an annual budget containing specific information identifying the proposed expenditures of the agency, the proposed indebtedness to be incurred by the agency and the anticipated revenues of the agency. ...When the legislative body is not the redevelopment agency, the legislative body shall approve the annual budget and the amendments to the annual budget of the agency." (Emphasis added).

It is not apparent that either of these requirements of State Law are being strictly complied with by the Agency. The Agency has never submitted the required budget documents to the Council and only recently submitted a work program and project achievement status report. Our review of the submission indicates that the information provided is for Block Grant funds only and does not include all of CRA's activities; and, therefore, is incomplete and not in full compliance with the Health and Safety Code (See Appendix A for evaluative commentary). It is the opinion of this Office that should the City insist on CRA's adherence to these requirements and establish a framework for the review and consideration of the CRA's submission, the following advantages would accrue:

- * The City would be better able to influence the direction of the redevelopment process. This control would be available without formally bringing the CRA into the City organization.
- * The City would have goals and objectives on which to evaluate the progress of the individual redevelopment projects and the performance of the CRA in the realization of the project goals and objectives.

The Health and Safety Code does not specify the sequencing of the submission of the annual work program and the Budget other than to specify that the annual report be submitted within six months of the close of the program year. The two reports should be submitted simultaneously so that the Council will have an opportunity to review the CRA program and expenditures in their entirety rather than incrementally. By not having all of the information before it at one time, the Council is precluded from ever having an opportunity for a complete overview of the CRA operation. Another benefit of this requirement would be to afford the CRA Board this same review opportunity. (See Recommendation No. 7).

One of the disadvantages of having projects supported all or in part by grant funds is that the work programs and budgets become extremely fluid and subject to changes since the mere application for funding does not guarantee that the grantor will approve the application. For the CRA, the appropriation of Community Development Block Grant funds is an integral part of the Agency work program and budget planning, for it represents a significant portion of their operating funds. The changes in Block Grant procedures recommended in other sections of this Audit will contribute to the ability of CRA to plan more effectively. Therefore, the first of January would be an ideal time for the submission of the annual report and budget information by the CRA to the City because by that time the general funding appropriations of the Block Grant have generally been established and can be taken into account by the CRA. Furthermore, the City is not fully involved in its yearly budget review cycle which makes it an ideal time for the Council to conduct an annual review of the CRA. The submission of the annual work program for the CBD should be incorporated into this submission. To do this will require that the CBD Redevelopment Plan be amended to change the annual work program reporting date from October to January 1. (See Recommendation No. 5).

4. ORGANIZATION

The purpose of an organization structure is to further the goals and objectives for which a given entity was established. However, the mere fact the goals and objectives are being attained does not in and of itself signify that the existing organization is the best and most productive. It is our opinion, after reviewing the CRA organization within the context of its goals and objectives, that the effectiveness of the Agency could be improved with certain organizational changes.

In this Section we discuss organizational changes we believe can enhance the ability of the CRA to complete its goals and objectives more efficiently and effectively. We have included a recommendation for expansion of the current Housing Assistance and Public Information Unit to include the existing functions of Rehousing and Property Management. These functions appear to share a common project service orientation with Mortgage Credit and Community Relations.

We have recommended consolidation of the grant planning activity under one organizational unit rather than diffusing this responsibility throughout the Agency as is the current practice. The importance of the "Core Area" (which includes the Central Business District, Bunker Hill and Little Tokyo redevelopment

areas) is recognized with the proposed restructuring of the planning responsibilities from the Planning Department to the Core Area Director. This proposal is viewed as a way of providing the Core Area Deputy the ability to control the significant administrative overhead costs associated with the implementation of the Central Business District Plan.

4.a Project Staff Services

Issue: There are a number of project staff functions scattered through several organizational entities; operations would be strengthened if those functions were grouped together.

Discussion:

There are certain functions performed by the Agency which might be described as project staff services: Rehousing and Property Management are assigned to the Deputy, Administration and Services; community relations is presently assigned to the Deputy for Project Operations; and mortgage credit administration is assigned to the Deputy for Housing Assistance and Public Information. These functions are related in that they coordinate services provided to project clients and provide functional supervisors to project personnel. We suggest that these functions could be grouped together under the supervision of a Deputy for Project Services.

The Audit Team noted the absence of a managerial position with detailed knowledge of Agency organization, policy, programs, staffing and project assignments, who could speak with a degree of authority. It appears that the logical placement of this responsibility is with the Deputy Administration and Services. A new functional responsibility for Organization Control is suggested to enable the Agency to have current information on project assignments and staffing. (See Recommendation No. 8).

A draft organization chart (See Exhibit I) presents the suggestions discussed above.

4.b Grant Application Preparation Consolidation

Issue: By dividing the responsibility for processing grant proposals among three different organizational units, the CRA makes coordination and sequencing of grant applications unnecessarily complex.

Discussion:

Three different organizational units within the CRA have responsibility for developing and processing grant applications. Not only are the three units separate, but they report to the CRA Director via different Deputy Directors. Responsibility for the coordination and preparation of the CRA's Community Development Block Grant application is charged to one person who reports to the Deputy Administrator for Project Operations. Responsibility for preparing applications for Urban Development Action Grants (UDAG) and Urban Mass Transit Administration (UMTA) grants are prepared in the Planning Department under the auspices of the Senior Deputy. In addition, consultant services are retained to assist the Agency in the development of UDAG grants. The preparation of Economic Development Administration (EDA) grants is performed by the Housing Assistance and Public Information Department.

The preparation of the various grant applications is charged to four individuals who can utilize other agency staff as necessary to assemble the information required to complete the grant application. With 15 redevelopment/rehabilitation projects, the struggle to obtain adequate funding for each project is a full-time effort for the Agency. The recent history of the CRA Block Grant allocation suggests that the availability and impact of other grant resources is going to exert a strong influence on the progress of the projects. Over the last three years the Block Grant allocation to the Agency has remained relatively constant even though the demand for funding for the projects has increased. Increasingly, the position of the Community Development Department in recommending the final allocation has been that other grant resources be pursued.

In the present financial climate the involvement of the public sector is going to be most important in the continuing progress of any redevelopment area. It is essential, therefore, that a cadre of grant application planners be assembled to oversee the Agency's application process and maximize the opportunities for obtaining other grant funding support with the Block Grant allocation as the base.

Because the development and implementation of the work program cannot be totally separated from other Project Operations, there must be an opportunity for Project Operations to input its needs into the grant preparation process. It is

suggested that Project Operations continue to prepare the annual work program for the projects including assigning priorities to the objectives within the projects, and then submitting the draft work program to the Senior Deputy for the development of a funding strategy by the Planning Department. Subsequent modification of the original work program would then be worked out with Project Operations by the Planning Department staff. It is believed that this arrangement would insure the input of Project Operations in work program development while consolidating grant preparation and development expertise within one specialized unit. (See Recommendation No. 9).

CRA management has expressed reservations about the consolidation as proposed here. CRA concedes that responsibility for UDAG, UMTA, EDA and all other grant proposals with the exception of the Block Grant should be consolidated within the Planning Department, but CRA believes that the Block Grant application should continue to be prepared by the Project Operations staff because Block Grant funds are used exclusively within redevelopment projects administered within this entity. Given that there is a special relationship between Project Operations and the Block Grant resources, it may be appropriate to retain this function within Project Operations. However, as outlined above, the interrelationships between the Block Grant and other grant resources is significant enough to warrant total consolidation of grant preparation activities. If CRA elects to consolidate this activity within Project Operations rather than the Planning Department, this is consistent with the intent of the recommendation.

4.c Realignment of CBD Planning Function

Issue: By separating planning from project management for the Central Business District (CBD), the CRA has created an environment which will make the implementation of the CBD redevelopment plan more complex than is necessary.

Discussion:

It has been the practice of the CRA to keep project implementation staff at a minimum level and to provide planning, real estate, and engineering support services by the use of specifically organized staff departments within the Agency. The Agency believes that this organizational arrangement keeps staffing to a minimum by making support services available to a project on an "as needed" basis without providing positions for every project. This rationale is valid for all of the projects outside of the Core Area which the CRA defines as the Central

Business District, Bunker Hill and Little Tokyo. However, the Agency has recently initiated a reorganization that, when fully implemented, could have as many as 25 full-time professional planning and architectural positions devoted to the development, project planning and implementation planning of the CBD. The yearly salary cost will be approximately \$700,000. It should be noted that the current staff of 16 personnel is well below the authorized level.

This organizational entity will continue to be located within the CRA Planning Department while project management responsibilities remain with the Core Area Deputy and the CBD Project Manager. In the early stages of the CBD Plan development, the planners had extensive involvement in the entire CBD process. Given the heavy investment proposed for planning activities, it would appear that this involvement is expected to continue. We believe that this organizational arrangement for the CBD will inhibit project control and management. The Agency indicates a belief that the impact of this divided responsibility can be overcome and that the flexibility to reassign people in the Planning Department according to need is a major advantage. This premise is probably accurate for those projects with one or two assigned planners, but in the case of the CBD an investment of \$450-\$700,000 in up to 25 professional planning positions belies any need for flexibility. This is a major investment in planning activities, and should be under the direct control of the Core Area Deputy who has the responsibility for overseeing the implementation of the Redevelopment Plan on behalf of the Agency and the City.

As proposed this change will provide a substantial level of planning support to the Core Area Deputy, and, therefore, it is suggested that all planning for the Core Area, including Little Tokyo, be assumed by this group. As a project, Little Tokyo is well into development, and planning efforts at this stage are somewhat less demanding than at the initial stage of implementation. The inclusion of the Little Tokyo planning responsibilities in the Core Area planning effort should make it possible to delete one Planning Associate position from the total Planning staff.

To provide the necessary support staff to assist this planning group, a transfer from the Planning Department to the Core Area of clerical and drafting personnel should also be completed at the same time.

The Audit makes no judgment as to the need for the heavy concentration of planning positions for the CBD. The cost is certainly significant but since full implementation has not yet been accomplished there is not sufficient information or experience upon which to make a judgment. However, in our opinion, the Core Area Deputy will be in a better position to judge the need for these positions as the implementation of the

Plan evolves if the responsibility for supervising the activities of the planners is assigned to him. (See Recommendation No. 10).

The CRA management has expressed agreement in principle with the objectives embodied in Recommendation No. 10, but believes that these objectives can be accomplished within the present organizational framework, and suggests that, rather than implement the Audit proposal at this time, a six to nine month trial period be established for the present arrangement. The CRA further suggests that this Office review the relationship of CBD Planning activities to the CBD project management at the conclusion of the trial period to determine whether the current organization is working effectively.

5. PROJECT CONTROL

The Project Manager is, by definition, responsible for coordinating and implementing the redevelopment plan. Historically, this has entailed the overseeing of the day-to-day project administration with the departments of Real Estate, Planning, Relocation, Public Relations, and Engineering providing the staff support. These specialists work primarily from CRA headquarters under the direction of their respective department managers. Because decisions affecting projects are sometimes made by the technical departments with little or no coordination with or impact from the Project Manager, some Managers perceive their role as that of a "trouble shooter" or coordinator and implementer of policies and goals, instead of actually being a policy maker and goals setter.

This perception by the Project Manager is furthered by the failure of the Agency to provide managers with essential budgetary control and expenditure data, or the ability to influence or control many of the charges made against a project. Agency representatives now indicate that Project Managers are provided with bi-weekly and monthly labor data.

5.a Redevelopment Project Selection

Issue: The addition of new redevelopment projects prior to the completion of existing projects unnecessarily handicaps the Agency's ability to complete its projects expeditiously.

Discussion:

The Community Development Block Grant has become the primary resource for supporting CRA redevelopment and rehabilitation projects during the early stages of implementation. Prior to 1974, redevelopment received most of its financial impetus from special Federal programs (Conventional Redevelopment and Neighborhood Development Programs) which provided a definite funding commitment either through direct grants or guaranteed loans to the project. Under this process, the initiation of new projects was accompanied by a fairly firm commitment for funding. After 1974, the Federal Government provided funding through the Community Development Block Grant Program. Because the Block Grant provides funding for a diversity of City programs including redevelopment, each redevelopment project which relies on Block Grant resources must compete with other City programs for support.

In the last three years the number of CRA redevelopment and rehabilitation projects has increased significantly. There were 10 redevelopment projects in 1977, and since that time three redevelopment and five rehabilitation projects have been added to the CRA work effort. The Revitalization Study Reports for the Chinatown, North Hollywood and Adams-Normandie 4321 projects all envisioned a substantial commitment of Block Grant resources for the first 5-10 years of implementation.

CRA Estimates of Block Grant Funding Requirements For New Redevelopment Projects

Project	Projected HCDBG Funding (millions/yr.)	No. of Years	Total (millions)
Chinatown	\$3	6	\$18
North Hollywood	\$3	6	\$18
Adams-Normandie 4321	\$2	7-10	\$14-20
Total	\$8	NA	\$50-56*

*The Revitalization Reports were completed in 1977 and the figures represent 1977 dollars.

During the 1979-80 Block Grant year the CRA received \$14,820,676 in Block Grant funding, of which the three projects listed above received \$4,138,280 or about half of what was expected by the Agency for regular progress to be made.

The above information suggests that the Agency should reassess its approach in recommending new redevelopment or rehabilitation programs. As long as the Block Grant Program remains the primary source of funding during the program implementation stage, long-range financial planning must become part of any decision to initiate a new redevelopment project.

This conclusion is consistent with the findings of the Peat, Marwick, Mitchell and Company (PMM & Co.) Audit of CRA conducted in 1977. In that audit it was recommended that CRA prepare long range plans for its operations including the estimating of an upper limit of CRA funding and the need for completing existing CRA projects expeditiously.

CRA in its response to the recommendations of the PMM & Co. Audit stated that, "CRA has neither the responsibility for, nor control over, long range community development planning in the City of Los Angeles. A long range plan of CRA operations, other than for projects in implementation, would therefore be inappropriate since the plan would be significantly amended each time the Agency is requested to evaluate a new project, which could be as often as annually. Ultimately, though, adherence to these plans will depend on whether each project's funding needs will be met with either Block Grant funds or other resources in conformity for the timetable."

The CRA response seems to discount the applicability of long range project planning and ultimately the Agency's role in determining funding limitations. In our conversations with Agency representatives, it was indicated that the Council selects the projects and the level of Block Grant funding they would receive and that CRA's role was to follow the will of the Council.

It is the opinion of this Office that the Agency can no longer relinquish its responsibility to consider the funding implications when it recommends or supports the initiation of new redevelopment projects. One can presume, and in fact demonstrate, that funding is limited. Table 1, opposite Page 13, summarizes the Block Grant appropriations for the last five years. From this table it may be concluded that Block Grant funding for CRA projects is limited, and if, as the Agency insists, funding is a major limiting factor in expeditious project implementation, financial planning must become an integral element in any recommendation by the Agency to undertake a redevelopment effort.

Therefore, it is CRA's responsibility to recommend new redevelopment projects only when additional or alternate sources of funding can be identified. If this is not done, each new project will continue to have an adverse effect on the implementation schedule of the other projects. CRA, in its report on the Peat, Marwick, and Mitchell Audit, maintained that

the upper limit of funding (Block Grant) is subject to Council decision. In the final analysis, the Council does make this decision, but this is a very limited interpretation of the Agency's role; a more responsible management approach would be to recognize the finite nature of CRA funding and to recommend no new projects until either existing projects can be closed out to allow a reassignment of resources or until new sources of funds can be identified. To illustrate the problem, there is some concern in the Chinatown area that the City will not have the resources to implement the Plan in accordance with community expectations because of the lack of sufficient funding. For the City and the CRA to become involved with other plans when it is obvious that implementation funding will be meager does a disservice to the community by unrealistically raising its expectations, while at the same time insuring that the City and CRA's stature will diminish when they fail to live up to their promises. (See Recommendation No. 11).

We believe the improved financial reporting advocated in the Financial Management Section of this report will enable the Agency to demonstrate more accurately the funding disparities and requirements confronted in existing projects. Such information provides a factual basis upon which to defend against spontaneous proposals which overextend Agency capability.

5.b Management Information System

Issue: There is insufficient management reporting in the Agency to enable the Commission and the Administrator to measure performance and exercise appropriate control over the use of resources.

Discussion:

There is no consistent organized management reporting system within the Agency. At one time, there was an established Management Information System in operation, but that system was suspended a few years ago and never re-instituted.

In no instance did the Audit Team find a reporting system whereby an organization unit reported performance to a higher organizational level on a consistent, periodic basis. The Audit Team was informed in several instances that personal contact takes the place of management reports. Although the value of personal contact is understood and appreciated, we take the position that a rational system of recording and reporting information useful to management at all levels is necessary to the effective operation of any organization.

A Management Information System (MIS) which contains the elements of work program and performance, personnel authorized and utilized, funds budgeted and expended, and other elements as desired, would provide benefits for the Agency. The Administrator and the Board could easily determine if performance and accomplishment is in accordance with schedule and within planned financial limits. Problem areas would be revealed on a timely basis, allowing for corrective action to be taken.

In another section of this Audit Report concern is expressed over the lack of data available to the Project Managers for use in control of the redevelopment projects. A well developed MIS will provide the data necessary for the Managers to carry out their responsibilities. Meeting the needs of the Project Managers should be one of the controlling factors in the design of the MIS.

Many of the elements of an MIS are already in existence, primarily an elaborate personnel cost accounting system. This machine system allocates all employee hours worked and cost thereof to a project objective or an overhead cost center; the system can also recount the hours by organizational unit. The existing project work programs break the projects down into project objectives; the objectives need to be quantified where possible and dates of accomplishment assigned in order to constitute a true work program.

The Audit Team was informed that a task force from the Controller's Office of the CRA is currently working on a design for a management information system which will contain the elements discussed above. A computer has been purchased and is now in place. It is planned to institute the system by July 1, 1981, and to achieve initial results in the third quarter of 1981. (See Recommendation 12).

5.c Function of Project Manager

Issue: The function, authority and responsibility of the Project Manager is not clearly defined or well understood.

Issue: Project Managers do not have access to budgetary control and expenditure data essential to the administration of a project.

Discussion:

The Project Manager should be the person responsible for the management of a project and the accomplishment of project goals and objectives within the limits of a project budget. Although the position description describes the Project Manager's duties in this manner, in reality Project Managers do not have the authority necessary to control the use of all project implementation resources.

Project Managers tend to exercise direct control over certain client-oriented functions such as community relations, rehousing and relocation, and rehabilitation. Other technical functions, such as planning, engineering and property acquisition and disposition, are assigned to specialized central office departments headed by officials with more prestige and power than the Project Manager. This is important because decisions affecting projects are frequently made by the technical departments with little or no coordination with, or in some cases without the knowledge of, the Project Manager. (See Recommendation No. 13).

The inadequacy of the project reports is an important limitation on the Manager's ability to control a project. For example, manpower distribution reports are produced showing in detail the manhours worked on a project by cost allocation centers, but at the time of the Audit these reports were not routinely sent to the Managers even though a key element of project costs are the charges recorded by the staff support units. This lack of control seems to have contributed to one of the issues that has frequently been raised concerning the CRA which is that agency projects have accumulated disproportionately high administrative costs. Subsequent to the Audit field observations, the agency has begun to distinguish between program delivery staff costs and "true" administrative costs.

The project reporting system of the CRA provides the Manager with a printout of the accumulated hours and attendant costs by project objective. No distinction is made between project staff and support staff (real estate, planning, etc.) charges. Without such information the Project Manager cannot review the charges against the project and make a judgment as to their reasonableness and their benefit to the project. Ultimately the control of project costs should rest with the Project Manager. The present system of reporting project expenditures including those charged by staff support elements preclude any real effort by the Project Manager to control costs.

Another weakness of the project reporting system concerns the inability to carryover project objectives from one reporting year to the next. If in one year there is an objective to purchase a particular parcel and at the end of the program year the completion of the purchase has not been concluded, the

objective is not carried over to the next project year if no additional funds will be required. The objective ceases to exist for reporting purposes even though staff effort may still be required to conclude the transaction. This practice clouds the ability of the CRA to identify the total cost associated with completing a given objective. (See Recommendation No. 14). It is the CRA's claim that the CDD precludes the achievement of this continuity by virtue of rigid adherence to accounting requirements involving the charging of time.

5.d Project Controls - Administrative Support Costs

Issue: In preparation of the annual funds requests, the CRA allocates all administrative personnel costs to projects with little regard to the actual need of a project for support, and during the year does not control the actual personnel charges against the projects.

Discussion:

All of the activities and costs of the CRA headquarters staff constitute administrative charges to the various projects administered by the Agency. It is the Agency's practice, in preparation of annual requests for funds, to allocate a portion of the headquarters costs to each project so that the total Agency costs are distributed. At the time of the Audit, all personnel costs, including direct and indirect, were lumped together in one line item called "administrative costs". This practice has recently been revised according to CRA representatives.

Typical charges against a project include those for the Project Manager and staff, and the staffs of planning, real estate, relocation, administration and management. These charges can be broken down into fixed costs and variable costs. Fixed costs include those for management, personnel, administration, accounting/controller, and they should be apportioned using a formula based on the total hourly charges to the project. Variable charges are represented by project management, planning, real estate, engineering, and relocation, and are subject to control.

The Project Manager has authority to control only a portion of the project costs, i.e., the staff assigned to the project office. All other costs are controlled by department managers "downtown". The Project Manager should have the authority and responsibility for the control of all variable costs, for it is the Manager who should be the most familiar with the needs of the project and who should have primary

responsibility for its success. CRA should consider distinguishing between those charges that are fixed and those that are variable and give control of the variable charges to the Project Manager. (See Recommendation No. 15).

5.e Performance/Production Standards

Issue: The CRA has not developed standards of production upon which staffing needs can be based.

Discussion:

The Peat, Marwick, Mitchell & Co. operational audit of the Community Redevelopment Agency in 1977 recommended, among other things, that the Agency "Maintain records of at least one production measure for each department which will be indicative of staffing requirements. These records should report planned production against actual production periodically, e.g., quarterly, and should be used to establish staffing requirements during budget preparation."

CRA in responding to this PMM & Co. recommendation indicated concurrence and stated that it would "attempt to establish measurable production units for those departments as feasible, such as rehabilitation or relocation".

During the Audit, CRA staff were questioned to determine the degree to which work statistics were maintained and used to measure productivity and predict staffing requirements. Our findings suggest that CRA does not maintain work statistics for this purpose. The response to inquiries as to how determinations are made that additional staff is required was that the efforts of CRA staff are diverse and difficult to quantify; therefore, the experience of the supervisor is relied on heavily for the final determination.

Our questions to the CRA Board Members indicated a certain uneasiness with this arrangement, but it had a general acceptance of CRA staff's expertise in determining its needs. The CRA is probably correct in saying the activities of the Agency are not precisely quantifiable, but that does not mean that some indications of workload cannot be developed. In fact, the act of making a judgement that additional staff is required represents a conscious consideration of factors to develop a basis for a choice.

Because of the absence of workload measurement information, this Office is unable to make a judgement as to the

adequacy of the staffing level. There is a strong feeling on the part of the Audit Team that the demands on the CRA have been increasing because a number of new redevelopment and rehabilitation projects have been added since the PMM & Co. Audit. However, the implications of this change on its workload is not quantifiable. (See Recommendation No. 16).

We have included in Appendix C a possible approach to developing measures which the Agency may wish to consider. In addition, the staff of this Office is available to assist the Agency in this matter.

6. FINANCIAL MANAGEMENT

In connection with this Audit, we did not attempt to make a detailed review of the Agency's accounting and financial operations. The Agency's financial records are audited annually by certified public accountants, and periodically by auditors from the various Federal funding agencies. To the extent possible and to avoid duplication we relied on the findings of these other audit reports.

From the financial reports issued by the CRA it is extremely difficult to obtain a comprehensive view of the scope of the Agency's operations, and source and magnitude of funds received and expenditures incurred.

The Agency's system of internal control was reviewed by Peat, Marwick, Mitchell & Co., Certified Public Accountants, who examined the financial statements for the Agency for the years ended June 30, 1978 and June 30, 1979, and issued unqualified opinions thereon. Based on their review, the certified public accountants concluded that the Agency had complied with related statutory and regulatory requirements for the respective programs except for four findings and recommendations in 1978 and one in 1979. In connection with the adequacy of the Agency's internal control, we have relied on the reports of the certified public accountants. It is our conclusion that the findings in 1978 and 1979 are on specific matters that the Agency has corrected or is in the process of correcting, and are not the type of problems that reflect on the overall adequacy of the Agency's total accounting system.

6a. Financial Reporting

Issue: From the financial reports issued by the CRA it is difficult to obtain a comprehensive view of the scope of the Agency's operations, and source and magnitude of funds received and expenditures incurred.

Issue: The Agency's plans for expansion and reorganization of the Accounting Division provide for staffing of a number of new management level positions in advance of completion of definitive plans for development of the new accounting structural elements and report formats, and other aspects of the management information system. These circumstances reduce the probability that the development of the new Management Information System will be fully successful in producing more useful financial reports.

Discussion:

The CRA's operations have expanded in terms of the number of projects, and complexity of funding sources. The number of on-going projects, the numerous funding sources and Federal agencies involved, and the requirements of State law all combine to impose upon the Agency complex financial, accounting and auditing requirements. This is reflected in the detail and complexity of its accounting records and financial statements. Currently, the Agency's basic financial report issued quarterly consists of some 25 separate funds and constitutes some 90 pages.

In response to amendments to the Health and Safety Code a few years ago, the Agency is now required to file annually with the legislative body an independent financial audit report for the previous fiscal year. Such reports have been prepared and do meet the legal requirements. However, the financial statements themselves are so comprehensive and consolidated that it is difficult for the reader to obtain a meaningful understanding of the scope of the Agency's operations and source of funds and expenditures on the various projects.

The Agency is currently responsible for 14 redevelopment projects in various stages of completion, four revitalization projects and several projects in the planning stage. Funds to perform Agency activities come from several Federal sources, including Community Development Block Grants, HUD Title I funds, Economic Development Administration funds, and Urban Development Action Grants. Funds from local sources come primarily from tax allocation increments derived from the various projects as provided for under State law. To finance the local share of project operations in the early stages of development pending generation of tax increments, the Agency is authorized under State law to issue tax allocation bonds which are payable from tax allocation increments.

Block Grant funds have been used since 1976 to initiate project planning and in the early stages of project development pending development of tax increments. Prior to that time, project planning and early stage of project development were financed from City budgetary appropriations through the Agency Administration Fund.

This volume and complexity make it extremely difficult to prepare reports that portray financial condition in an accurate, comprehensible manner.

Early in the Audit the Controller advised the Audit Team of his tentative plans for expansion and revision of the Accounting organization; and also his plans to develop an automated management information system. Based on our review of the Agency's accounting and financial reporting requirements, it was our conclusion at the time that there was a need for some expansion and reorganization of the Accounting Division, and that development of an effective management information system would be beneficial. The primary need would be to coordinate all accounting activities in order that the reporting and auditing requirements of the Agency can best be fulfilled. There is also a need to develop financial report formats that more clearly portray the nature and scope of the Agency's operation. There is a need to coordinate with the certified public accountants so that the audited annual reports relate directly to the Agency's internal reports.

During the course of the Audit, the Controller has firmed up many of his plans for the Accounting organization, some aspects of which have already been implemented.

- * The Agency has acquired Hewlett-Packard computer equipment and operating system software.
- * The Agency has contracted with a firm of consultants for a functional study and preparation of a system design document for new management information, accounting, and budgetary control systems.
- * The Agency has established five new management level positions (two of which are in lieu of existing positions), and one new position at the level of accountant. The Controller plans to request that one other management position be established.
- * The following two positions have been newly established and recruitment completed.

Audits Director-Conducts operational, financial and compliance audits throughout all Divisions of the Agency.

Financial Analyst-(at level of accountant position)-
Implements investment decisions under direct supervision of
Controller, maintain daily cash flow information, investment
maturities, and unusual cash needs data.

- * The following three positions recently have been established
by Board action and recruiting is planned for the near
future.

Deputy Controller-Accounting-Directs all staff work in the
General Accounting Division, supervises the Chief Accountant
and staff.

Chief Accountant-(In lieu of Principal Accountant position)
Supervises staff in maintenance and fund ledgers and
preparation of financial statements.

Deputy Controller-Systems-(In lieu of existing Deputy
Controller position)-Directs the Management Information
Systems and Budget/Systems Division; responsible for
development of both financial and non-financial management
information systems.

- * The Controller plans to request the Board to establish the
following position.

Finance Director-Coordinates with the County to assure the
Agency receives all tax increments that are due; under
supervision of the Controller, assists in new bond issues and
coordinates with fiscal consultants.

When these new and existing positions are filled, the
Accounting organization will be staffed with seven relatively
high level positions (the five positions identified above plus
the existing Management Information Systems Manager and Manager
Budgets and Systems) in addition to the Controller. Five of
these positions would have a top salary in excess of \$40 thousand
and two would have a top salary of \$38.6 thousand.

We concur that there is a genuine need for some
expansion and reorganization of the Accounting Division, and
there is a need to have competent personnel perform the various
functions.

We are concerned because two of the management level
positions are directly involved in the development of the
management information system, and another two and the Controller
are indirectly involved. However, at this time there are no
definitive plans for the new accounting report formats, structure
of the funds and general ledgers and other aspects of the
management information system. A firm of consultants has been
engaged to prepare a system design document, but this effort has
yet to be completed. Until the specific nature and

characteristics of the information needs are identified, and the system design plans are completed and accepted by the Agency, we question the appropriateness of full staffing at the level planned.

Further, it is very important that the expansion and reorganization provide for the employment of at least one professional accountant with the knowledge, ability and talent to interpret the Agency's complex reporting requirements, and to formulate an accounting system structure and report formats needed to comply with those requirements. This should be done in conjunction with the formulation of the system design plans and development of the management information system.

Separate and distinct from the above considerations, we are concerned about the appropriateness of employing both the Audits Director and Finance Director at this time. There is no question that there is a need for some expansion in the Accounting Division to perform the basic functions outlined in these positions descriptions. However, the workload of these two positions is undetermined at this time. Whether or not the Finance Director position can be justified on a full-time long-term basis really depends on the number of bond issues planned to be issued not only in the next few months but over the next few years. Similarly, the benefits to be derived from the Audits Director position depend largely on the potential for operational improvements that might result from operational audits of the various departments and divisions of the Agency. We are suggesting that the functions proposed for these positions be reconsidered in light of their potential for consolidation in a single position as an initial step until continuing workload information is obtained. After the continuing workload is known, the need for additional staffing could be reevaluated. (See Recommendation No. 17).

The Agency Administrator has stated his general concurrence with the Audit position as described in this Section. With specific respect to the recommendation regarding delaying the appointment to new management level positions, however, he has indicated the Agency's intention to fill the Deputy Controller-Accounting and the Chief Accountant in the near future. This course of action has been discussed with the Administrator, and he is aware of the rationale for the position of this Office.

6b. Non-cash grants-in-aid

Issue: Reimbursement to the City for its costs of non-cash grants-in-aid may not be adequately covered in the

provisions of some redevelopment plans and cooperation agreements.

Discussion:

Under HUD Title I financing (Bunker Hill, Monterey Hills, Hoover, and Watts) and the Neighborhood Development Program (Beacon Street, Pico I & II, Little Tokyo and Normandie 5), the Federal government provides funds for two-thirds of all eligible net project costs and the CRA must provide the remaining one-third share. In the foregoing projects, CRA will provide its one-third share from two primary sources, tax allocation increments and non-cash grants-in-aid.

Non-cash grants-in-aid are locally (City, County, State, Department of Water and Power, School Board) financed public improvements that benefit the project and are approved by HUD as acceptable credits to the CRA's one-third share. They require no cash outlay by the CRA.

Under provisions of state law, it is possible for the CRA to reimburse the appropriate local jurisdiction for its cost of the public improvements constituting the HUD approved non-cash grants-in-aid from tax increments. However, appropriate steps must be taken by the CRA, which may include providing for such reimbursement in the redevelopment plan and cooperation with the City.

Since the Neighborhood Development Program has been closed out to meet HUD requirements, it seems particularly appropriate at this time to assure that requirements for non-cash grants-in-aid be provided for in the appropriate documents. (See Recommendation No. 18).

7. PERSONNEL MANAGEMENT

There are two issues addressed under the general heading of Personnel Management, namely Position Authorizations and Training. While these issues have an internal organization focus, management attention directed to them will pay dividends in terms of improved performance which will in turn impact upon the attainment of Agency objectives.

7.a Position Authorizations

Issue: The Agency maintains a consistently large number of authorized but unfilled positions. Positions are authorized by the Board with minimum justification presented. The Agency has utilized an unusually large number of temporary positions during the past year, and has employed some individuals on temporary positions for an unusual length of time.

Discussion:

Upon recommendation of the Administrator, the Board may authorize positions and set the salaries for them. Such position authorizations remain in effect until rescinded by further Board action. Since January, 1975, the number of authorized positions has increased by 88 percent, from 178 to 334.

The number of positions filled at any one time is considerably less than the number authorized. A large proportion of vacant positions is in various stages of recruitment at any one time; a large number of vacant positions is maintained for purposes of flexibility. However, the proportion of vacant positions to positions authorized has increased. Since January, 1975, the number of vacant positions increased by 177 percent; the number of filled positions over the same period increased by 69 percent. Therefore, the growth in position authorities has to a large extent resulted in an increase in vacant positions.

Neither "positions authorized" nor "positions filled" gives an accurate picture of the number of personnel required to accomplish the workload; "positions filled" plus positions being recruited gives a more nearly complete picture.

The category "authorized positions" should be restricted to those positions which have been created to meet a specific need and purpose and are related to an identifiable workload - that is, the total authorized positions should be those positions which have been calculated as required to accomplish the Agency's work program for a current fiscal year.

A second supplemental category of positions could be established to provide flexibility. The Administrator could be authorized in advance by the Board to utilize such positions for specific limited periods of time, or to use as substitutes for regular authorized positions as in the case of promotions. Additional full-time permanent positions would still require the authorization of the Board. (See Recommendation No. 19).

The Agency meets unusual workload situations by obtaining personnel services from an employment agency under a purchase order. Persons so obtained are not employees of the

Agency, but of the employment agency. The CRA pays the employment agency. The persons involved earn no fringe benefits and have no status as Agency employees. Such temporary employees are often later hired as regular permanent employees.

This method of obtaining personnel services gives flexibility to the personnel system. Employees may be added to the work force with a minimum of delay and paperwork. A prospective employee may be observed on the job before a permanent position is offered.

In the past year, extensive use has been made of such temporary employees; the number employed has averaged in excess of 20 persons. Further, some individuals have been so employed for several months. This would appear to violate the intent and spirit of the personnel system. The Agency Board may wish to consider establishing a practice whereby all temporary authorities expire automatically at the end of the fiscal year, and require specific reauthorization by the Board to continue employment. (See Recommendation No. 20).

Note: It is our understanding, based on statements made by Agency representatives, that the practice described regarding temporary employees has been changed recently. A specific procedure and budget for temporary employees has been established.

7.b Training

Issue: The Department does not have a formal training program to prepare its professional staff for its responsibilities and places too much reliance on the supervisors to provide the necessary skills. No training program, except for a tour of project areas, is provided for new members of the Board.

Discussion:

Newly hired professional staff members must rely totally on their supervisors or other coworkers for direction in understanding the redevelopment process and their particular role. Although each person employed by the Department possesses the basic skills necessary to perform effectively, the specialized nature of the redevelopment process dictates that some training be provided to orient the person to the job requirements. The total reliance on the supervisors for this orientation has the following disadvantages:

- * New supervisors may or may not be familiar with the elements of the redevelopment process as it pertains to their area of responsibility. This is especially true if the supervisor is new to the section or the Agency.
- * Training skills will vary with individual supervisors and their perceptions of what constitutes important data to be transmitted, thereby creating a lack of consistency in the quality of training for the employee.
- * Without some formal statement as to the Agency's expectations regarding performance, the employee cannot be fairly judged as to competence, skill, and overall performance.

A program is needed to formalize a training prospectus for the various disciplines within the Agency outlining the procedures and steps to be taken in the performance of the major elements of the CRA process, including but not limited to preliminary planning for redevelopment, implementation planning, establishment of a community participation program, and real estate appraisal, acquisition and disposition. (See Recommendation No. 21).

State law requires that the functions of the Agency be directed by a board of citizen. Newly-appointed Board Members have special problems because the functions of the Agency are technical and complex and involve problems in finance, government and sociology not often encountered by a private citizen. It is rare that an Agency Board Member has prior familiarity with Agency functions and problems. The Agency offers little orientation assistance to new Board Members, aside from a tour of project areas. (See Recommendation No. 22).

CRA Health and Safety Code
Reporting Requirements

The Community Redevelopment Agency is required by the Health and Safety Code to provide each year to the City Council:

- A. An independent audit report for the previous year.
- B. A work program with goals for the coming fiscal year.
- C. An examination of the previous year's achievements and a comparison with the goals of the previous work program.
- D. Recommendations for needed legislation to carry on a program of housing and community development.

The CRA, pursuant to the Health and Safety Code requirements, submitted on May 9, 1980, a Work Program and Budget Analysis for the 1978-79 and 1979-80 fiscal years and the Agency's Examination of Previous Year's Achievements and Comparison With Work Program for the 1977-78 and 1978-79 fiscal years with Recommendations for Needed Legislation.

This Office was asked by the Chairman of the Governmental Operations Committee to review the CRA submissions as part of the Management Audit of the Agency. The "Introduction and Work Program and Budget Analysis for 1978-79 and 1979-80" represents the Agency's proposed work program and budget for the utilization of Community Development Block Grant funds. The Work Program has not been adjusted to reflect changes in the approved funding allocations from the Agency's proposal or the resultant impact on the proposed work program. Because the work program reflects the Agency's proposed Block Grant funded objectives, no information is available to assess the Agency's activities that are supported by its other funding resources such as tax increments, Urban Development Action Grants; Economic Development Administration grants, and Urban Mass Transit Administration grants.

The "Examination of Previous Year Achievements" is primarily a compilation of the Agency's Housing and Community Development Act Quarterly Status Reports submitted by the Agency to the Community Development Department. It also includes project EIR status reports, HUD Required Employment Status Reports, Citizen Participation Loan and Contract reports. Although these Quarterly Status Reports provide some information about the status of the Agency's projects, they present by no means a total picture of the Agency's activities or performance. Some of the weaknesses of the Quarterly Reports include:

- A. There is no summary for the year's accomplishments by objective. Each Quarterly Report must be reviewed to understand the progress on that objective for the year.
- B. Statistics are provided for elements or activities for which the Agency has not established goals such as relocation, housing production, and housing rehabilitation.
- C. The format of the reports varies from quarter to quarter and in some cases from project to project.
- D. Not all projects are included in every report.
- E. The forms for presenting loan, recipient employment, and relocation information are confusing and not readily understandable.

On balance, the reports are too lengthy, poorly organized, and lack essential information which negates any possibility of a meaningful review. Part of the problem can be attributed to the fact that the Agency has prepared the documents by assembling the various reporting vehicles it must submit for its Block Grant reporting without attempting to bring the information together into a coherent format.

To make the reports more meaningful to Council, it is suggested that the following adjustments be considered.

Work Program and Budget Analysis

- A. Include goals and objectives and budget estimates for all funding sources.
- B. Include goals and objectives by project for:
 - 1. Housing Rehabilitation
 - 2. New Housing
 - 3. Economic Development
 - 4. Job Creation
 - 5. Relocation
 - 6. Parcel Acquisitions
 - 7. Demolitions

Examination of Previous Year's Achievements and Comparison With
Work Program

- A. Reformat the Quarterly Reports into one summary document and present information in Project format.
- B. Provide appropriation and expenditures data by objective and funding source within projects.
- C. Utilize the same format for presenting project information.

OFFICE OF
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BURT PINES
CITY ATTORNEY

REPORT RE
ALTERNATIVES TO COUNCIL'S BECOMING THE
COMMUNITY REDEVELOPMENT AGENCY

REPORT NO. R77 0035 *
JAN 06 1977

THE HONORABLE, THE CITY COUNCIL
OF THE CITY OF LOS ANGELES
Room 395, City Hall

Honorable Members:

Pursuant to the Council's instructions of November 9, 1976, we have prepared the following report discussing possible alternatives to the present proposal that the City Council become the Community Redevelopment Agency (hereinafter Agency). This report sets forth the three basic options which are available for the management of the Agency; various methods by which the Council could exert greater influence and control over the redevelopment process under the existing system; and those recently enacted changes to the Community Redevelopment Law which are responsive to many of the concerns underlying the present proposal and are thus relevant to an evaluation of the need for an institutional change. A report covering the problems occurring under the existing system and the reasons for improvement is being prepared by the office of the Chief Legislative Analyst.

A. Management of Agency

Under the Community Redevelopment Law, there are three basic options available to the Council with respect to the management of the Agency. These are:

1. To retain the existing system, under which members of the Agency are appointed by the Mayor with the approval of the Council.

2. To declare itself to be the Agency, in the

manner provided in Section 33200 of the Health and Safety Code (hereinafter H & S Code), and assume full supervision and control over all Agency activities.

3. To declare itself to be the Agency and thereafter create a community redevelopment commission, as provided for in H & S Code Section 33201. The prescribed functions of the community redevelopment commission are to prepare a redevelopment plan for each project area, to hold and conduct hearings thereon, and to adopt and submit such plan, together with a report, to the legislative body. (H & S Code Section 33202) In addition, under a recent amendment to Section 33202, the legislative body may delegate "any of its functions as the governing body of the agency to the community redevelopment commission." (Emphasis added) Previously, the legislative body could only delegate additional advisory functions to the commission.

B. Methods for Exerting Greater Control
Under the Existing System

Various methods are available whereby the Council could exert greater influence and control, under the existing system, over future redevelopment policy formulation, plan implementation, and Agency accountability.

1. Utilization of Disapproval Power
Over Proposed Redevelopment Plans

The Council presently has ultimate authority over the direction which redevelopment takes within the City by virtue of its power to approve or disapprove redevelopment plans and amendments to adopted redevelopment plans. While this authority is not plenary (the Council cannot adopt a plan, change a proposed plan, or amend an adopted plan except on "recommendation" of the Agency, H & S Code Sections 33357, 33360, 33363.5, 33450), it is final. In connection with future redevelopment plans, the Council can simply refuse to approve a proposed plan which does not contain appropriate limitations over the use of the redevelopment process within a project area or which does not reserve to the Council sufficient control over project implementation.

For example, the Council can insist that an "annual work program" concept, similar to that provided for in the Central Business District Plan, be included in future redevelopment plans. Under this concept, the Agency must

submit a work program to the Council each year for approval, outlining the project activities proposed for the following year, their priority and their method of financing. It is then within the Council's discretion to determine what activities will take place, what funds will be spent, and what debts will be incurred for project purposes. In connection with its consideration of an annual work program, the Council can require that program documentation be provided by the Agency, both with respect to the cost effectiveness of the programs undertaken in prior years and the economic feasibility of the programs to be undertaken the following year. The annual work program is thus an effective vehicle for assuring on-going Council control over project implementation.

The Council can also insist that specific limitations on the use of the redevelopment process be incorporated into future plans. These limitations would then be binding on both the Agency and the Council for the duration of the project. Such could include limitations on the period of time within which indebtedness may be incurred for project purposes, the total amount of tax increments which may be utilized to fund the project, and the type of development and disposition agreements which can be entered into without prior Council approval. As discussed below, restrictions of this type are now required to be included in redevelopment plans under certain circumstances.

The provisions of previously adopted plans are, of course, controlling; and any further limitation or reservation of power, beyond that provided in the plan itself, would require a plan amendment. If it were deemed desirable, the Council could request the Agency to initiate appropriate amendments which would incorporate additional limitations into previously adopted plan(s).

2. Achieving Earlier Input Into The Redevelopment Planning Process

The Council could utilize more fully those opportunities which presently exist for input into the redevelopment planning process.

Under the Community Redevelopment Law, the proposed redevelopment plan, which is submitted by the Agency to the Council for adoption, must be based upon the preliminary redevelopment plan (H & S Code Section 33332). The City

Planning Commission is charged with the responsibility of formulating the preliminary redevelopment plan for each selected project area. (H & S Code Section 33322) Such preliminary plan must describe the boundaries of the project area; generally describe the land uses, layout of streets, population densities and building intensities and standards proposed as the basis for redevelopment; show how the purposes of the Community Redevelopment Law would be attained by such redevelopment; show that the proposed redevelopment conforms to the general community plan; and describe generally the impact of the project upon residents thereof and upon the surrounding neighborhood. (H & S Code Section 33324) The preliminary plan for redevelopment may be prepared at whatever level of detail the local jurisdiction wishes. The proposed redevelopment plan is then prepared by the Agency in consultation with the City Planning Commission. (H & S Code Section 33330)

The Council's ability to influence basic redevelopment policy formulation is greatest at these early stages of plan preparation. Once a plan has been formally submitted to the Council for adoption, the opportunity for critically reviewing the substance of the plan is limited, and the procedures for effecting changes in the plan are cumbersome. The Council could instruct the Planning Department to bring the preliminary plan to the Council for review before the preliminary plan is submitted to the City Planning Commission for adoption. The Council could also instruct the Planning Department to submit progress reports on the proposed plan as it is developed by the Agency. Potential problems can then be identified, communicated to the Commission and the Agency, and resolved as the plan evolves.

3. Adoption of Guidelines for Evaluating
Individual Projects with Respect to
Their Citywide Impact

The Council could adopt general policy guidelines and criteria for evaluating individual project proposals in order to assure a coordinated approach to redevelopment throughout the City.

The County of Los Angeles, for example, has established a Redevelopment Agency Project Review Committee to analyze each redevelopment project proposed to be undertaken in the County for its conformity with fifteen criteria. These criteria relate to such matters as the commitment of

tax-increment supported expenditures within five years; the inclusion of standards for the use of tax increment funds; and the establishment of limitations on the Agency's ability to engage in public construction.

Similarly, the Council could develop guidelines for evaluating individual redevelopment projects within the City according to criteria which address those problems identified by the Council as being of general citywide concern. In addition to expediting review of proposed redevelopment projects by the Planning Department, the City Planning Commission, and the Council itself, the adoption of such guidelines would put the Agency on notice as to the Council's position with respect to future Agency-proposed projects.

4. Establishing Better Channels of
Communication Between the Planning
Department, the Agency and the
Council

In order to facilitate communication between the Agency and the Council, the Council could establish a liason with the Agency Board. A City representative could be designated to monitor Board agendas, to report to the Council on matters coming before the Board for decision which might be of interest to the Council, and to present the Council's position with respect to matters of controversy or Council concern.

C. Recent Amendments to the Community Redevel-
opment Law

Substantial revisions to the Community Redevelopment Law were enacted in the 1976 Session of the Legislature. A summary of the more significant amendments, which are responsive to concerns which the Council has expressed in the past, follows:

1. Limitations on the Use of Tax Incre-
ment Financing

Redevelopment plans providing for tax increment financing must contain limitations on:

a. the number of dollars of taxes which may be divided and allocated to the Agency (H & S Code Section 33333.2);

b. the time within which loans, advances and indebtedness to be repaid from tax increments may be incurred (H & S Code Section 33333.2);

c. the time, not to exceed 12 years, within which eminent domain proceedings must be commenced to acquire property within the project area (H & S Code Section 33333.2); and

d. the amount of indebtedness which can be outstanding at any one time if the plan authorizes the issuance of bonds to be repaid from tax increments (H & S Code Section 33334.1).

2. Fiscal Reports to the Council

The Report to the Council which must accompany each proposed redevelopment plan submitted by the Agency must now include:

a. A County Report containing certain assessed value and tax information (H & S Code Section 33327);

b. A Fiscal Review Committee Report, if any. In connection with its preparation of the aforementioned report, the county or any affected taxing agency may call for the creation of a fiscal review committee. If created, the fiscal review committee shall hold a hearing and thereafter report to the Agency on the fiscal impact of the project on each of the taxing agency members of the committee. The committee may also suggest amendments to the redevelopment plan which would alleviate or eliminate any detrimental fiscal effects on the affected taxing agencies (H & S Code Section 33353 et seq.);

c. The Agency's analysis of the County report. This analysis shall include a summary of the results of the Agency's consultation with each taxing agency, as now required under H & S Code Section 33328. (H & S Code Section 33352)

3. Additional Findings Required by Council

The ordinance adopting a redevelopment plan must contain findings that:

a. All noncontiguous areas of the project area are either blighted or necessary for effective redevelopment and are not included for the purpose of obtaining allocation of taxes from such area without other substantial justification for their inclusion.

b. The inclusion of lands, buildings or improvements which are not detrimental to the public health, safety or welfare is necessary for the effective redevelopment of the area of which they are a part and that any such area included is an integral part of the project area and not included for the purpose of obtaining tax allocation from such area without other substantial justification for its inclusion.

c. The elimination of blight and the redevelopment of the project area could not reasonably be expected to be accomplished by private enterprise acting alone without the aid and assistance of the agency.

d. A statement that, when the project is financed by tax increments in whole or in part, the legislative body is convinced that the effect of tax increment financing will not cause a severe financial burden or detriment on any taxing agency deriving revenues from a tax increment project area. (H & S Code Section 33367)

4. Plan Amendments

Where an Agency proposes to amend a redevelopment plan which does not utilize tax increment financing to include a tax allocation provision, or to amend a plan which utilizes tax increment financing to add a significant amount of new territory to the project area, the Agency must follow the same procedures and the legislative body is subject to the same restrictions as are provided for the adoption of a plan. (H & S Code Sections 33354.5, 33354.6)

5. Council Approval of Disposition of Property Acquired with Tax Increments

Before any property acquired in whole or in part, directly or indirectly, with tax increment moneys is sold or leased for development, such sale or lease shall be approved by the legislative body after public hearing. The resolution approving such sale or lease must contain specified findings.

6. Council Approval of Public Improvement
Construction

a. Without the prior consent of the legislative body, a redevelopment agency may not develop a site for industrial or commercial use to provide streets, sidewalks, utilities or other improvements which an owner or operator of the site would otherwise be obliged to provide. In giving such consent, the legislative body must find that providing such improvements is necessary to effectuate the purposes of the redevelopment law. (H & S Code Section 33421.1)

b. Without the prior consent of the legislative body, an Agency may not pay all or part of the value of the land for and the cost of the installation and construction of any publicly owned building or improvement, within or without the project area. The legislative body, in giving such consent, must determine that such building or other improvement is of benefit to the project area or the immediate neighborhood in which the project is located or to an adjacent project area and that no other reasonable means of financing are available to the community. The acquisition of property and the installation or construction of each facility must be provided for in the plan. (H & S Code Section 33445)

7. Requirements for Low and Moderate
Income Housing

a. Not less than 20% of all tax increments allocated to a redevelopment agency shall be used to increase and improve the community supply of low or moderate income housing unless specified findings are made by the Agency. (H & S Code Section 33334.2)

b. Every redevelopment plan must provide that when low or moderate income dwelling units are destroyed or removed from the housing market, the agency shall within four years from such destruction or removal cause an equal number to be rehabilitated, developed or constructed within the project area or the territorial jurisdiction of the Agency. (H & S Code Section 33334.5)

c. Prior to the execution of property acquisition agreements, disposition and development agreements, and owner participation agreements, which would lead to the

destruction or removal of low or moderate income housing units, the redevelopment agency shall adopt by resolution a housing replacement plan. Such plan shall contain: the general location of housing to be rehabilitated, developed or constructed; an adequate means of financing; and a finding that the replacement housing does not require voter approval under Article 34 of the State Constitution or that such approval has been obtained. (H & S Code Section 33413.5)

Other significant revisions tighten up the definition of "blight", H & S Code Sections 33030, 33032; provide a remedy for owners of property within the project area whose property is not acquired by the Agency within three years, H & S Code Section 33399; and require offsetting payments to affected taxing jurisdictions under certain circumstances, H & S Code Sections 33338.1, 33675.

Conclusion

The existing system would permit greater Council involvement in the redevelopment process than has generally been experienced in the past. The amendments to the Community Redevelopment Law discussed above substantially expand the Council's role with respect to certain types of redevelopment activities. In addition, the Council could exert significantly greater influence and control over redevelopment by utilizing more fully its existing powers under the methods discussed above. While the ultimate effectiveness of these methods assumes a degree of cooperation on the part of the Agency, we have no reason to believe that such would not be forthcoming.

The present form of Agency management, however, does not realistically permit Council control over Agency decision-making at an operational or administrative level. Agency Board functions, such as the approval of escrow agreements, the review of architectural plans, or the resolution of personnel disputes, are simply outside the scope of Council review under the present system. If the Council wishes to assume full supervision and control over these diverse Agency activities, the only alternative is to become the Agency.

Very truly yours,

BURT PINES, City Attorney

Sally Disco

By

SALLY DISCO

Deputy City Attorney

POSSIBLE PRODUCTIVITY MEASURES FOR CRA

The problem of measuring productivity within the CRA has long been an issue. The CAO Audit of 1971 focused on this point and the need was subsequently stressed in the Peat, Marwick, Mitchell and Co. Audit of 1977. The failure of the CRA to develop meaningful work measurement data is in no small part due to the diversity of the activities performed by the various departments within the CRA. This diversity makes it difficult to relate a specific increment of work to staffing requirements.

In the absence of work statistics, it appears that CRA determines the need for staff additions on the basis of the perceptions of the individual supervisor. The fact that supervisors are capable of making judgements as to the need for additional staff suggests that some form of measurement is possible. A review of three CRA departments, Real Estate, Planning, and Engineering, suggests that although the efforts of these units defy precise measurement some indication of workload is possible. It is proposed that a method of measurement structured along the following lines should be considered.

- I First - Tabulate the total number of general activities performed each year by the Department. Without intending to be comprehensive, the following suggestions are put forth for the Real Estate, Planning and Engineering Departments.

Real Estate

- A. Acquisitions Processed
- B. Appraisals Prepared
- C. Dispositions Completed

Planning

- A. EIR's Prepared
- B. Grant Applications Processed
- C. Redevelopment Studies Completed

Engineering

- A. Contracts Executed
- B. Plans Reviewed

II Second - Establish a performance standard based on a critical path criteria for each element/activity chosen for monitoring. The performance criteria for each activity should establish a period of time within which the activity should be completed. When performance begins to fall below a certain level or ratio of completion, management will have a basis for determining if this failure is due to:

- A. Staffing shortages.
- B. Poor supervision or employee performance.
- C. Unique circumstances that are not foreseeable and not likely to be duplicated.

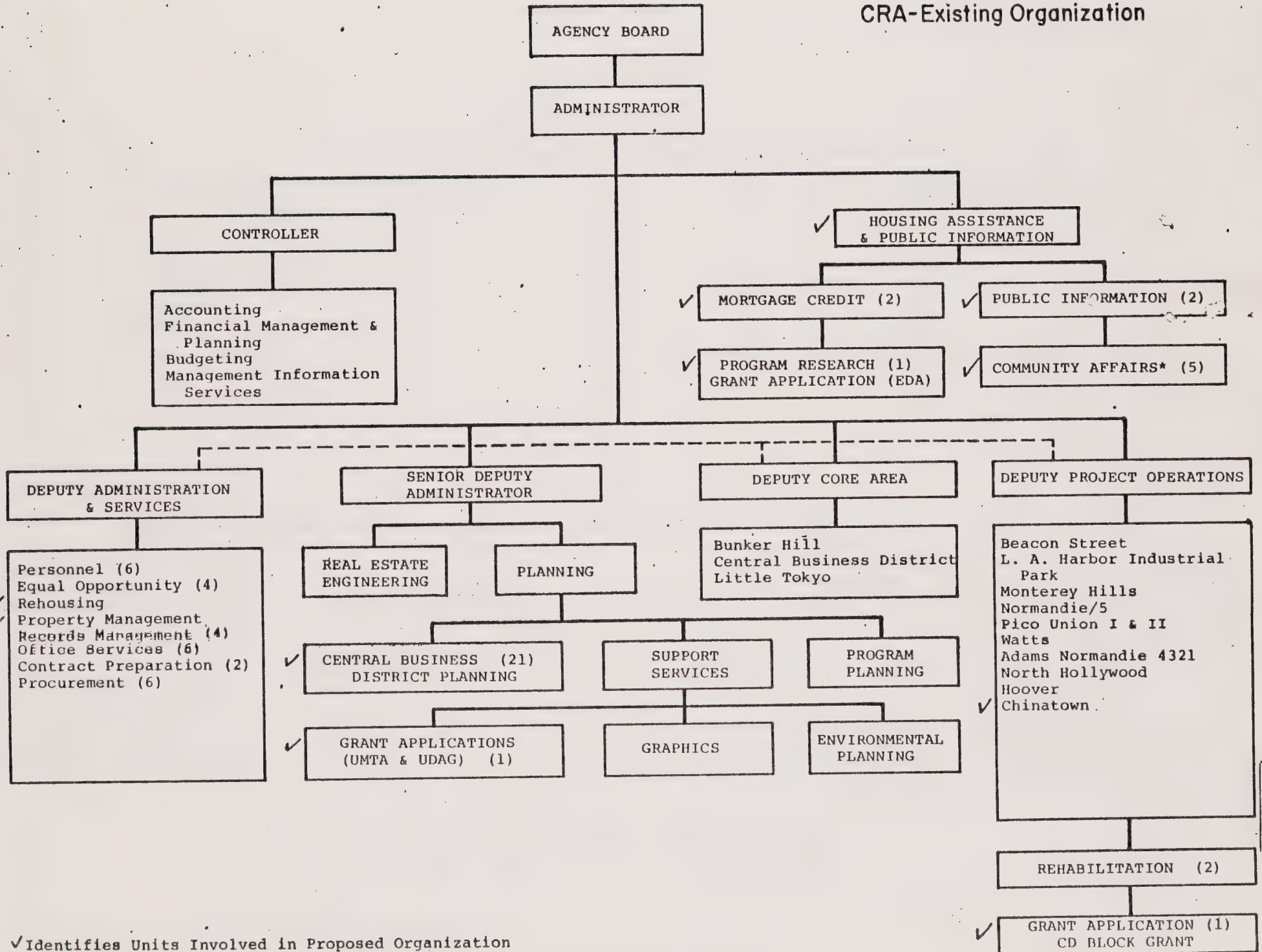
To illustrate, consider the following example:

- Assume that the Real Estate Department processes 100 property appraisals during the year.
- Assume also that the mean processing time for all types of appraisals is 60 days.

With this information the Real Estate supervisor can monitor the number of appraisals processed and processing time for each. A standard can be set establishing an acceptable ratio of appraisals completed with the mean processing time. If the supervisor determines that at least 60 percent of the appraisals must be completed within the mean processing time, and the completion level falls below this expectation a determination as to the cause can be made.

In the above example, if the supervisor found that the number of appraisals processed exceeded the expected level (100/year) and that the mean processing time in 55 percent of the cases exceeded the 60 days standard, a decision or investigation could be made as to the need for additional staff.

CHART A CRA-Existing Organization



✓ Identifies Units Involved in Proposed Organization

*Includes Office Staff Only

EXHIBIT 1

CHART B CRA-PROPOSED ORGANIZATION

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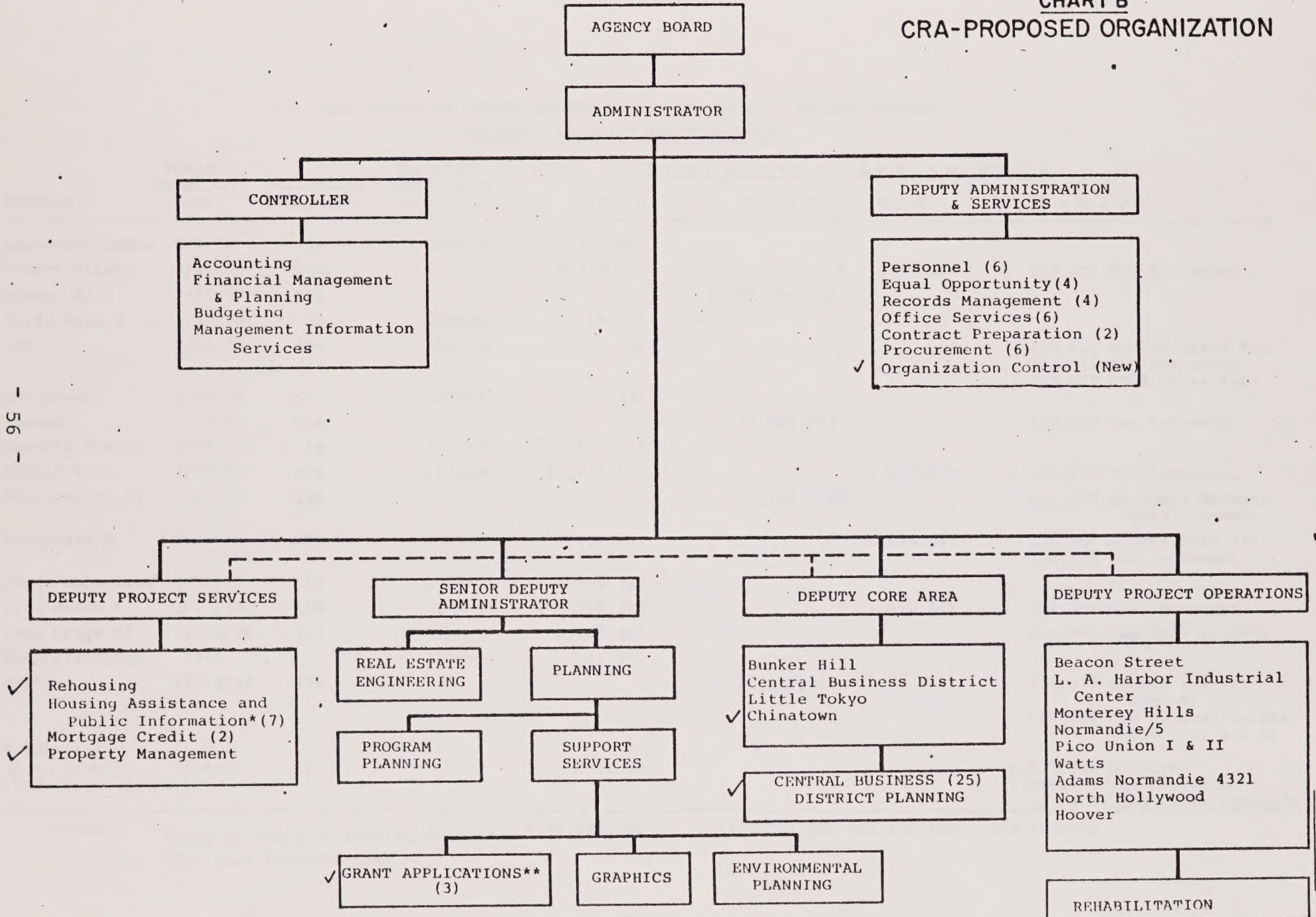


EXHIBIT 1A

✓ Identifies Units Involved in Proposed Organization

* Includes Public Information and Community Affairs

** Includes All Grant Applications - CD Block Grant, Economic Development (EDA), Urban Mass Transit (UMTA), and Urban Development Action Grants (UDAG)

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES

PROJECTS ADOPTION AND COMPLETION

PROJECT	Project Adoption Date	Percentage Completed	Expected Activities Completion Date	Funds Expended to Date			
				C.D.B.G	Title I	N.D.P.	Other
Adams/Normandie	5/3/79	5%	1989-90	\$ 950,853			
Beacon Street	4/21/69	95%	1983	5,335,693		\$ 1,896,211	\$ 103,820 Tax Increment
Bunker Hill	3/31/59	90%			\$ 96,730,308		
Boyle Hgts I	9/29/78*	3%	1986-87	318,067			
CBD	7/18/75	10%	1990-91	3,756,048			4,776,121 BHRHTF (Skid Row) 860,019 Tax Increment 3,738,019 UDAG Trust Fund
Chinatown	1/23/80	--	1990-91	563,232			
Hoover	1/27/66	95%			40,209,853		337,682 Tax Increment
Lincoln Hgts I	9/24/79*	1%	1987-88	124,079			
Little Tokyo	2/24/70	80%	1984-85	10,826,136		4,662,877	1,349,472 Tax Increment
Monterey Hills	7/29/71	20%			15,728,456 ^a		217,964 Mortgage Revenue Bond Proceeds
Normandie/5	10/7/69	80%	1982-83	7,756,421		2,015,817	972,187 BHRHTF (blk 47) 738,015 Tax Increment
North Hollywood	2/21/79	5%	1994-95	1,673,737			
Pico Union I	2/27/70	80%	1983-84	8,567,367		1,610,113	64,808 Tax Increment
Pico Union II	11/24/76	30%	1986-87	4,189,889			272,395 Pep Boys Contrib.
Temple/Beaudry	1981	--	1995-96	141,945			
Watts	12/19/68	95%			24,484,390		373,977 BHRHTF (Watts Arms I) 689,768 HUD Special Grants (Pcls I-3, 5 & 6)
Wilmington (L.A. Harbor Industrial Center)	7/18/74	15%	1989	698,123			1,727,956 LAHICTF 1,080,403 Tax Increment 415,000 Land Sales Proceeds
TOTALS				\$ 44,901,590	\$177,153,007	\$10,185,018	\$19,860,671

*Date of CRA/City Funding Contracts

^aIncludes Extended Area

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